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# Message Text

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51
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 FS-01 OMB-01 COME-00 EB-11 AID-20

ABF-01 AGR-20 DRC-01 RSC-01 /064 W
---------- 021760
R 061121Z SEP 73
FM AMEMBASSY SAIGON
TO SECSTATE WASHDC 6809

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E.O. 11652: N/A
TAGS: EFIN, VS
SUBJ: CURRENCY USE PAYMENTS

REFS: A) STATE 164993; B) STATE A-6818

1. AS NOTED IN REF A, GVN HAS BEEN MAKING CURRENCY USE PAYMENTS (CUP) AT OFFICIAL EXCHANGE RATE RATHER THAN COMMERCIAL BANK SELLING RATE WHICH IS SOMEWHAT MORE THAN ONE PERCENT HIGHER. WE BELIEVE IT IS IN USG INTEREST TO CONTINUE COLLECTING CUP AT THIS RATE, RATHER THAN COMMERCIAL BANK SELLING RATE.

2. FOREIGN EXCHANGE SYSTEM IN VIETNAM IS CONTROLLED BY NATIONAL BANK (NBVN) WHICH HAS MONOPOLY ON ALL FOREIGN EXCHANGE TRANSACTIONS. NBVN BUYS AND SELLS FOREIGN EXCHANGE AT OFFICIAL EXCHANGE RATE (CURRENTLY 510:1) PLUS 0.5 PERCENT COMMISSION. OTHER THAN USDO, NBVN DEALS ONLY WITH COMMERCIAL BANKS WHO ARE AUTHORIZED TO DEAL IN FOREIGN EXCHANGE ON BEHALF OF NBVN (INTERMEDIAIRES AGREES). THESE INTERMEDIARIES THEN SELL FOREIGN EXCHANGE AT RATE THAT INCLUDES ANOTHER 0.5 PERCENT COMMISSION, PLUS A SPECIAL COMMISSION OF ONE PIASTER PER DOLLAR, PLUS A VALUE ADDED TAX OF 10 PERCENT OF TOTAL COMMISSION, RESULTING IN PREVAILING RATE OF EXCHANGE AS OF THIS DATE OF 516.7 PIASTERS PER DOLLAR, THOUGH SOME BANKS WILL REDUCE THEIR COMMISSION. IN OUR VIEW, SELLING RATE, EXCLUSIVE OF COMMISSIONS AND TAXES, IS OFFICIAL EXCHANGE RATE AND THIS IS RATE AT WHICH CUP SHOULD BE PAID. BUYING RATE IS THE REVERSE OF THE ABOVE AND IS CURRENTLY
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503.3 PIASTERS PER DOLLAR.

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3. U.S. EMBASSY, IN PERSON OF USDO, IS ONLY NON-BANK INSTITUTION
THAT IS PERMITTED DIRECT ACCESS TO NATIONAL BANK. USDO BUYS
PIASTERS AT OFFICIAL RATE WITHOUT PAYMENT OF COMMISSIONS AND TAXES.
THUS SELLING AND PREVAILING RATE OF EXCHANGE FORUSG IS OFFICIAL
RATE. NBVN HAS OCCASIONALLY TRIED TO GET US TO PAY COMMISSIONS
ON OUR PIASTER PURCHASES, BUT WE HAVE THUS FAR MANAGED TO RETAIN
OUR PRIVILEGED POSITION. SHOULD WE INTERPRET SELLING RATE AS
THAT RATE WHICH COMMERCIAL BANKS CHARGE, WE WOULD VERY LIKELY
HAVE TO PAY COMMISSIONS ON OUR PURCHASES, RESULTING IN ADDITIONAL
COSTS TO USG.

4. MISSION THEREFORE INTENDS TO CONTINUE TO ACCEPT CUP AT
OFFICIAL RATE OF EXCHANGE. DECON 9/6/73
MARTIN

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